

## Message Text

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E.O. 11652: GDS

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TAGS:ENRG/SLT

SUBJECT:REPORT BY CHAIRMAN OF STANDING GROUP ON LONG TERM  
COOPERATION ON MEETING OF JANUARY 23-24.

FOR IEA CAPITALS: PLEASE PASS FOLLOWING REPORT BY SLT CHAIRMAN BOSWORTH TO IEA GOVERNING BOARD CHAIRMAN DAVIGNON TO APPROPRIATE HOST GOVERNMENT OFFICIALS. YOU SHOULD EXPLAIN THAT REPORT IS BEING CIRCULATED DIRECTLY FROM WASHINGTON RATHER THAN THROUGH IEA SECRETARIAT IN ORDER TO GIVE DELEGATIONS AS MUCH TIME AS POSSIBLE TO PREPARE FOR DISCUSSION OF LONG TERM COOPERATION ITEMS AT FEBRUARY 5-7 GOVERNING BOARD MEETING.

FOR BRUSSELS: WE WILL PASS COPY OF REPORT DIRECTLY TO DAVIGNON HERE IN WASHINGTON THROUGH BELGIAN EMBASSY. YOU SHOULD GIVE TEXT TO OTHER APPROPRIATE GOB OFFICIALS.

QUOTE: REPORT TO CHAIRMAN OF GOVERNING BOARD ON JANUARY 23-24 MEETING OF STANDING GROUP ON LONG TERM COOPERATION. INTRODUCTION: THIS REPORT IS A SUMMARY OF THE DISCUSSION IN THE STANDING GROUP ON LONG TERM COOPERATION OF THE POSSIBLE ELEMENTS OF A FRAMEWORK OF CONTINUING IEA COOPERATION IN THE REDUCTION OF THE GROUP'S DEPENDENCE ON IMPORTED

OIL. IT IS INTENDED BOTH TO RECORD PROGRESS ACHIEVED BY THE SLT AND TO INDICATE THOSE ISSUES ON WHICH THE GOVERNING BOARD MIGHT USEFULLY CONCENTRATE ITS ATTENTION AT THE MEETING IN FEBRUARY 5-7, 1975.

I. REDUCED DEPENDENCE OBJECTIVES: THE CHAIRMAN INTRODUCED THE DISCUSSION BY RAISING THE POSSIBLE DESIRABILITY OF ESTABLISHING AN OBJECTIVE OR SERIES OF OBJECTIVES FOR THE REDUCTION OF OUR COMBINED DEPENDENCE ON IMPORTED OIL. THE OECD'S LONG TERM ENERGY ASSESSMENT CONCLUDES THAT AT A \$9.00 PER BARREL PRICE FOR IMPORTED OIL, THE OECD COUNTRIES AS A GROUP BY 1985 WOULD DEPEND ON IMPORTED OIL TO MEET APPROXIMATELY 20 PERCENT OF THEIR TOTAL ENERGY REQUIREMENTS. THIS PROJECTION ASSUMES NO GOVERNMENTAL EFFORTS TO REDUCE DEPENDENCE ON IMPORTED OIL. THE LONG CONFIDENTIAL

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TERM ENERGY ASSESSMENT ALSO INDICATES THAT THERE IS A POTENTIAL FOR OECD COUNTRIES TO REDUCE THEIR DEPENDENCE TO NO MORE THAN FROM 3 TO 7 PERCENT OF TOTAL ENERGY BY 1985. OBVIOUSLY, THIS POTENTIAL CANNOT IN PRACTICE BE REALIZED FULLY. NEVERTHELESS, THE MEMBER COUNTRIES SHOULD BE ABLE, THROUGH NATIONAL AND COOPERATIVE PROGRAMS, TO REDUCE THEIR IMPORT DEPENDENCE SIGNIFICANTLY BELOW THE LEVEL WHICH WOULD RESULT FROM MARKET FORCES ALONE. ACCEPTING THAT THE LTEA PROJECTIONS MAY BE SUBJECT TO CORRECTION, THE IEA SHOULD NEVERTHELESS ADDRESS THIS QUESTION OF IMPORT DEPENDENCE OBJECTIVES.

THE GENERAL POLITICAL AND ECONOMIC UTILITY OF THIS CONCEPT WAS SUPPORTED BY SEVERAL DELEGATIONS IN THE COURSE OF THE

MEETING, ALTHOUGH ALMOST ALL DELEGATIONS STRESSED THAT IT WOULD BE VERY DIFFICULT TO SET SUCH OBJECTIVES UNTIL SUBSTANTIALLY MORE DATA WERE AVAILABLE.

SOME DELEGATIONS ALSO POINTED TO THE NEED TO ASSURE THAT REDUCED DEPENDENCE OBJECTIVES AND THE PROGRAMS ADOPTED TO ACHIEVE THEM DO NOT CONTRADICT THE GOAL OF LOWER PRICES FOR IMPORTED OIL. IT WAS NOTED IN THIS REGARD THAT THE IMPLICATION OF THE COOPERATIVE PROGRAMS UNDER DISCUSSION IS THAT ENERGY COSTS OVER THE MEDIUM-TERM ARE LIKELY TO BE SOMEWHAT HIGHER THAN HISTORICAL COSTS, ALTHOUGH THEY WOULD CLEARLY BE LOWER THAN THE PRESENT PRICE OF IMPORTED OIL.

II. ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY: THE SLT DISCUSSED IN DETAIL POSSIBLE APPROACHES TO IEA COOPERATION IN ACCELERATING THE DEVELOPMENT OF ALTERNATIVE ENERGY AS OUTLINED IN THE NOTE PREPARED BY THE CHAIRMAN. THE DISCUSSION FOCUSED PRIMARILY ON THREE POSSIBLE AREAS OF COOPERATION WHICH COULD BE PURSUED SEPARATELY OR IN COMBINATION:

(1) REMOVAL OF OBSTACLES TO THE EFFECTIVE OPERATION OF THE MARKET.

(2) GENERAL MEASURES APPLIED THROUGH SOME COMMON COMMITMENT TO SUPPORT THE LEVELS  
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OF PRICES AT WHICH ATTENTIVE ENERGY DEVELOPED WITHIN THE IEA WOULD HAVE TO COMPETE AGAINST IMPORTED OIL.

(3) SPECIFIC MEASURES TO STIMULATE DESIGNATED INVESTMENTS.

AFTER EXTENSIVE DISCUSSION OF THE POSSIBLE TYPES OF COOPERATION, THE SLT DECIDED TO ESTABLISH AN AD HOC STUDY GROUP TO EXAMINE ON A TECHNICAL BASIS QUESTIONS RELEVANT TO THE POSSIBLE ESTABLISHMENT OF IEA PROGRAMS IN THESE AREAS. THE AD HOC GROUP WILL MAKE AN INITIAL REPORT TO THE SLT BY FEBRUARY 15. IT WAS ALSO AGREED THAT THE CHAIRMAN, IN HIS REPORT TO THE CHAIRMAN OF THE GOVERNING BOARD, SHOULD SUMMARIZE THE MAJOR ELEMENTS OF THE SLT'S DISCUSSION AND INDICATE THAT A POLITICAL DISCUSSION OF THE ISSUES INVOLVED IN IEA COOPERATION IN THE DECELERATED DEVELOPMENT OF ALTERNATIVE ENERGY WOULD BE USEFUL AT THE FEBRUARY 5-7 MEETING OF THE GOVERNING BOARD.

REMOVAL OF OBSTACLES: THERE WAS GENERAL AGREEMENT ON THE DESIRABILITY OF MEMBER COUNTRIES MOVING AS RAPIDLY AS POSSIBLE TO REMOVE OBSTACLES TO THE ACCELERATED

DEVELOPMENT OF NEW SUPPLIES OF ENERGY SUCH INEFFICIENT PRICING POLICIES, CAPITAL CONSTRAINTS, ETC. TWO DELEGATIONS URGED THAT IEA COOPERATION IN THIS AREA EXPLICITLY ENCOMPASS TECHNOLOGICAL EXCHANGE AND FINANCIAL COOPERATION, THE POSSIBILITY OF WHICH IS FORESEEN UNDER ARTICLE 42 OF THE IEP. IT WAS AGREED THAT THE AD HOC STUDY GROUP ON ACC LERATED DEVELOPMENT-SHOULD DEVELOP FOR CONSIDERATION BY THE SLT A SUGGESTED PROCEDURE AND POSSIBLE CRITERIA UNDER WHICH NATIONAL PROGRAMS RELATED TO THE DEVELOPMENT OF NEW SUPPLIES COULD BE SYSTEMATICALLY REVIEWED.

GENERAL MEASURES: THERE WAS CONSIDERABLE DISCUSSION OVER THE EXTENT TO WHICH UNCERTAINTY OVER THE POSSIBLE FUTURE PRICE OF IMPORTED OIL MIGHT INHIBIT INVESTMENT IN ALTERNATIVE ENERGY WITHIN THE IEA. SEVERAL DELEGATIONS NOTED THAT THIS UNCERTAINTY ARISES PRINCIPALLY FROM THE FACT THAT THE COST OF PRODUCTION OF MOST OPEC OIL IS CONFIDENTIAL

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SUBSTANTIALLY LOWER THAN THE PRODUCTION COSTS OF VIRTUALLY ALL ALTERNATIVE ENERGY WITHIN THE IEA. THUS, INVESTMENT IN ALTERNATIVE ENERGY IN THE IEA COUNTRIES COULD BE JEOPARDIZED BY: (1) A BREAK IN WORLD PRICES IN THE MEDIUM TERM AS A RESULT OF A SHIFT IN THE GLOBAL SUPPLY/ DEMAND BALANCE FOR ENERGY; AND/OR (2) A DECISION BY CURRENT OIL EXPORTERS TO ENGAGE IN "PREDATORY" PRICING OR "DUMPING" TO ELIMINATE POTENTIAL COMPETITION FROM ALTERNATIVE ENERGY SUPPLIES.

THESE DELEGATIONS SUGGESTED THE NEED TO CONSIDER A GENERAL APPROACH SUCH AS, FOR EXAMPLE A COMMON ANTI-DUMPING SAFETY NET FOR IEA INVESTORS. SUCH AN APPROACH COULD BE EMPLOYED TO REDUCE THIS UNCERTAINTY OR DOWNSIDE RISK TO A COMMERCIALY ACCEPTABLE LEVEL AT WHICH IT WOULD NOT CONSTITUTE AN OBSTACLE TO THE ACHIEVEMENT OF OUR; REDUCED DEPENDENCE OBJECTIVES. OTHER DELEGATIONS POINTED TO THE LACK OF EMPIRICAL EVIDENCE THAT SUCH PRICE UNCERTAINTY IS IN FACT INHIBITING INVESTMENT AND QUESTIONED THE NEED TO CONSIDER DOWNSIDE RISK PROTECTION IN THE ABSENCE OF SUCH EVIDENCE.

SOME DELEGATIONS ALSO NOTED THAT THE APPLICATION OF SUCH A GENERAL PRICE MEASURE COULD RESULT IN DISTORTIONS IN THE ALLOCATION OF RESOURCES, THE INTERNATIONAL TRADING SYSTEM, ETCJM

OTHER DELEGATIONS NOTED IN THIS REGARD THAT THE EXTENT TO WHICH SUCH DISTORTIONS MIGHT OCCUR WOULD DEPEND IN LARGE MEASURE ON THE LEVEL AT WHICH ANY SUCH GENERAL MEASURE WAS ESTABLISHED AND WHETHER THERE WAS IN FACT A DECLINE IN WORLD OIL PRICES BELOW THIS LEVEL. IF FIXED

AT THE LEVEL OF THE MORE EXPENSIVE ALTERNATIVE SOURCES OF ENERGY, A PRICE SAFETY NET COULD HAVE POTENTIALLY SUBSTANTIAL DISTORTIONARY EFFECTS. HOWEVER, THESE EFFECTS WOULD BE SUBSTANTIALLY LESS IF THE PRICE MEASURE WERE ESTABLISHED AT A MODERATE LEVEL.

SOME DELEGATIONS ALSO NOTED THAT THE IEA COUNTRIES WITH LITTLE POTENTIAL FOR DEVELOPING INDIGENOUS ENERGY WOULD HAVE TO BE ASSURED THAT THERE WERE AN EQUITABLE  
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SHARING OF COSTS AND BENEFITS IN ANY COMMON APPROACH

DESIGNED TO PROVIDE PRICE SUPPORT FOR THE DEVELOPMENT OF NEW SUPPLIES IN OTHER IEA COUNTRIES. OTHER DELEGATIONS NOTED IN THIS CONNECTION THAT ALL IEA COUNTRIES STOOD TO BENEFIT FROM ANY DEVELOPMENT OF NEW SUPPLIES, PARTICULARLY WITHIN THE IEA, WHICH CONTRIBUTES TO AN IMPROVED GLOBAL ENERGY BALANCE. IT WAS ALSO NOTED IN THIS REGARD THAT THE LEVEL AT WHICH ANY SUCH GENERAL MEASURE MIGHT BE FIXED WOULD BE AN IMPORTANT DETERMINANT OF EQUITY OF COSTS AND BENEFITS.

IN THE LIGHT OF THIS DISCUSSION, THE SLT ASKED THE AD HOC GROUP TO EXAMINE THE POSSIBLE USEFULNESS OF IMPLEMENTING AN EQUITABLE FRAMEWORK OF GENERAL MEASURES OF COOPERATION WHICH MAY BE NECESSARY TO ENSURE THAT INVESTOR UNCERTAINTY WITH REGARD TO FUTURE PRICE LEVELS IS REDUCED TO A COMMERCIALY ACCEPTABLE LEVEL, AT WHICH IT WOULD NOT CONSTITUTE A SIGNIFICANT OBSTACLE TO THE ACHIEVEMENT OF OUR REDUCED IMPORT DEPENDENCE OBJECTIVE.

SPECIFIC MEASURES: IT WAS NOTED THAT SUCH AN APPROACH, (EMPLOYING DEFICIENCY PAYMENTS, INVESTMENT GUARANTEES, LONG-TERM SUPPLY CONTRACTS, ETC.) COULD BE EMPLOYED, EITHER BY ITSELF OR IN COORDINATION WITH A GENERAL APPROACH, TO TARGET SUPPORT FOR INVESTMENT IN SELECTED ENERGY PROJECTS. SOME DELEGATIONS INDICATED A PREFERENCE FOR THIS APPROACH SINCE IT WOULD TEND TO HAVE LESS IMPACT THAN THE GENERAL APPROACH ON DOMESTIC PRICES, TRADE, ETC.

SOME DELEGATIONS POINTED TO A NEED UNDER OUR OVERALL PROGRAM TO ASSURE AN ADEQUATE PACE OF DEVELOPMENT FOR HIGHER COST ENERGY RESOURCES. THESE MIGHT NOT BE MAJOR SOURCES OF ENERGY BY 1985 BUT WOULD BECOME INCREASINGLY IMPORTANT IN LATER YEARS. THE SPECIFIC APPROACH WOULD SEEM WELL SUITED TO THE DEVELOPMENT OF THESE SOURCES SINCE THEY WOULD NOT, AS IN THE CASE OF A GENERAL MEASURE FIXED AT A HIGH LEVEL, PUT A HIGH FLOOR UNDER ALL ENERGY PRICES. OTHER DELEGATIONS NOTED THAT THIS SPECIFIC APPROACH SHOULD NOT NECESSARILY BE LIMITED TO HIGHER

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COST ENERGY BUT SHOULD ALSO BE CONSIDERED FOR LOWER COST CONVENTIONAL FOSSIL FUELS.

SEVERAL DELEGATIONS STATED THAT THERE ARE UNDOUBTEDLY A NUMBER OF PROJECTS NOW IN VIEW WHICH COULD BENEFIT FROM IEA COOPERATION UNDER THE SPECIFIC APPROACH AND SUGGESTED THAT AN INITIAL INVENTORY OF THESE PROJECTS BE COMPILED PROMPTLY.

ONE DELEGATION NOTED THAT BENEFITS AVAILABLE UNDER THIS SPECIFIC APPROACH TO THOSE COUNTRIES LACKING MAJOR DOMESTIC ENERGY POTENTIAL COULD BE AN IMPORTANT FACTOR IN ESTABLISHING AN OVERALL BALANCE OF COSTS AND BENEFITS UNDER A PROGRAM WHICH COMBINED THE GENERAL AND SPECIFIC APPROACHES. THE SLT ASKED THE AD HOC GROUP: (A) TO MAKE A PRELIMINARY EXAMINATION OF PROJECTS OF AGENCY COUNTRIES FOR THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES; AND TO BEGIN THE PROCESS OF IDENTIFYING WHICH PROJECTS, OR CLASSES OF PROJECT, COULD BENEFIT BY THE COOPERATION FORESEEN UNDER 1.6; (B) TO DEVELOP POSSIBLE APPROACHES TO THE ESTABLISHMENT OF AN EQUITABLE FRAMEWORK WITHIN WHICH AGENCY COUNTRIES COULD UNDERTAKE JOINTLY THE REALIZATION OF SPECIFIC MEASURES, INCLUDING AMONG OTHER MEASURES FINANCIAL AND TECHNICAL COOPERATION, TO ASSIST PROJECTS OR CATEGORIES OF PROJECTS.

III. CONSERVATION: THE SLT REVIEWED IN DETAIL THE REPORT AND RECOMMENDATIONS OF THE SUBGROUP ON CONSERVATION.

CRITERIA FOR MEASUREMENT OF OVERALL IEA EFFORT: THE SLT APPROVED WITH SOME MODIFICATION THE TWO CRITERIA FOR MEASUREMENT OF THE GROUP'S OVERALL CONSERVATION EFFORT RECOMMENDED BY THE SUBGROUP: (1) OVERALL REDUCTION IN THE CONSUMPTION OF ENERGY AS MEASURED BY THE DEPENDENCE ON IMPORTED OIL AS A PERCENTAGE OF TOTAL ENERGY; (2) AN INDEX CALCULATED AS FOLLOWS: TOTAL PRIMARY ENERGY (TPE) INPUT PER UNIT OF GDP FOR A GIVEN YEAR IN THE FUTURE COMPARED WITH THE BASELINE WHICH IS THE AVERAGE OVERALL TPE INPUT PER UNIT OF GDP DURING THE PERIOD 1968-73.

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IT WAS AGREED THAT THESE SHOULD BE VIEWED AS TENTATIVE CRITERIA AND MAY BE SUBJECT TO CHANGE AFTER FURTHER STUDY AND EXAMINATION OF THE DATA NOW BEING COMPILED.

BASIS AND PROCEDURE FOR EVALUATING AND COMPARING

MEMBER COUNTRY PROGRAMS: THE SLT APPROVED WITH SOME MODIFICATION SIX BASIC CRITERIA AGAINST WHICH MEMBER COUNTRY CONSERVATION PROGRAMS WILL BE EVALUATED. (SEE REPORT BY SUBGROUP ON CONSERVATION IN ITS MEETING OF JANUARY 13-14 AS REVISED.)

THE SLT ALSO AGREED THAT A PROCESS OF RIGOROUS EXAMINATION OF MEMBER COUNTRY PROGRAMS AS RECOMMENDED BY THE SUBGROUP ON THE BASIS OF THESE CRITERIA SHOULD BEGIN IN APRIL 1975. THE SUBGROUP WILL SUBMIT INDIVIDUAL WRITTEN REPORTS ON THE RESULTS OF THIS PRELIMINARY EVALUATION TO THE SLT FOR ITS CONSIDERATION. THE CRITERIA WILL BE SUBJECT TO FURTHER MODIFICATION IN THE LIGHT OF THIS INITIAL ROUND OF REVIEW OF NATIONAL PROGRAMS.

OBJECTIVES: IT WAS AGREED TO RAISE AS A SUBJECT FOR DISCUSSION BY THE GOVERNING BOARD THE POSSIBLE ESTABLISHMENT OF OVERALL IEA CONSERVATION OBJECTIVES FOR 1975 AND BEYOND.

THERE APPEARED TO GENERAL AGREEMENT ON THE DESIRABILITY OF CONSIDERING THE ESTABLISHMENT OF MEDIUM-TERM CONSERVATION OBJECTIVES WHICH WOULD BE RELATED TO OVERALL REDUCED DEPENDENCE OBJECTIVES IF THESE ARE ESTABLISHED.

THERE WAS CONSIDERABLE DISCUSSION OF THE QUESTION OF EQUITABLE BURDENSARING AMONG MEMBER COUNTRIES IN THE OVERALL CONSERVATION EFFORT, PARTICULARLY WITH REGARD TO THE POSSIBILITY OF ARRIVING AT NATIONAL OBJECTIVES RELATED TO THE OVERALL GROUP OBJECTIVE. THE CHAIRMAN RECALLED THAT THIS QUESTION HAD BEEN DISCUSSED BY THE GOVERNING BOARD AT ITS LAST MEETING AND THAT THE GOVERNING BOARD HAD DIRECTED THAT IN DEVELOPING CONSERVATION OBJECTIVES CONSIDERATION SHOULD BE GIVEN TO A MEANS FOR CONFIDENTIAL

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AN EQUITABLE SHARING OF THE BURDEN, IN A GENERAL WAY, WHICH WOULD NOT RELY ON SOPHISTICATED FORMULAE. IN THIS CONNECTION, THE CHAIRMAN INDICATED THAT FOR 1975 IT MIGHT BE MOST PRACTICAL TO VIEW OUR CONSERVATION OBJECTIVE PRAGMATICALLY AS A COLLATION OF THE ESTIMATED RESULTS OF EXISTING AND CURRENTLY PLANNED NATIONAL PROGRAMS. ONCE SUCH AN OVERALL OBJECTIVE WERE ESTABLISHED OUR INDIVIDUAL AND COLLECTIVE PROGRESS TOWARD IT COULD BE MONITORED THROUGH THE REVIEW OF NATIONAL PROGRAMS NOW SCHEDULED TO BEGIN IN APRIL.

THE US DELEGATION REPORTED IN SOME DETAIL ON THE RECENTLY ANNOUNCED US CONSERVATION MEASURES AND STATED THAT THESE ARE EXPECTED TO PRODUCE A REDUCTION IN US OIL IMPORTS OF

OVER 1 MMBD BELOW THE LEVEL THEY WOULD OTHERWISE HAVE REACHED BY THE END OF THE YEAR. THE US DELEGATE SUGGESTED THAT, IN THE LIGHT OF WHAT WE NOW KNOW ABOUT EACH OTHERS CONSERVATION PROGRAMS, A FEASIBLE POLITICAL COMMITMENT ON A CONSERVATION OBJECTIVE FOR 1975 MIGHT BE ON THE ORDER OF A 2 MMBD CUV IN IMPORTS BY THE END OF 1975 BELOW THE LEVEL THEY WOULD OTHERWISE HAVE REACHED.

SOME DELEGATIONS POINTED OUT THAT THIS FORMULATION MIGHT NOT TAKE FULL ACCOUNT OF THE FACT THAT SOME MEMBER COUNTRIES HAVE ALREADY ACHIEVED SUBSTANTIAL SAVINGS IN 1974 WHILE OTHERS DID NOT. AFTER SOME DISCUSSION, HOWEVER, THERE APPEARED TO BE GENERAL AGREEMENT THAT A GROUP COMMITMENT FOR 1975 MIGHT BE USEFUL FOR POLITICAL AND PRESENTATIONAL REASONS, ALTHOUGH IT SHOULD NOT NECESSARILY SERVE AS A PRECEDENT FOR ONGOING COOPERATION IN CONSERVATION. THERE WAS NO AGREEMENT ON THE LEVEL OF THIS COMMITMENT.

THERE WAS ALSO SOME DISCUSSION OF THE ABILITY OF INDIVIDUAL COUNTRIES TO MEASURE SAVINGS IN TERMS OF A REDUCTION BELOW THE LEVEL THEY WOULD OTHERWISE HAVE REACHED BY THE END OF THE YEAR. BUT THERE APPEARED TO BE A CONSENSUS THAT SUCH A FORMULATION WOULD BE FEASIBLE SINCE ALL COUNTRIES COULD PROJECT ESTIMATED IMPORTS FOR THE LAST THREE MONTHS OF 1975 AND THEN ANNUALIZE AND SEASONALLY ADJUST THE FIGURES TO OBTAIN A BASIS FROM WHICH CONSERVATION SAVINGS COULD BE MEASURED.

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TION SAVINGS COULD BE MEASURED.

IN SUMMARY, THE CHAIRMAN INDICATED HIS INTENTION TO RAISE FOR CONSIDERATION BY THE GOVERNING BOARD: (1) THE POSSIBLE ESTABLISHMENT OF AN IEA CONSERVATION OBJECTIVE FOR 1975; (2) THE POSSIBLE NEED TO ESTABLISH SIMILAR OBJECTIVES FOR 1976 AND 1977; (3) THE NEED TO ESTABLISH MEDIUM-TERM CONSERVATION OBJECTIVES FOR 1980 AND 1985 RELATED TO POSSIBLE REDUCED DEPENDENCE OBJECTIVES; AND (4) APPROVAL OF THE PROCESS AND CRITERIA FOR REVIEW OF NATIONAL PROGRAMS.

IV. RESEARCH AND DEVELOPMENT: THE SLT RECEIVED THE REPORT OF THE R & D SUBGROUP ON ITS MEETING OF JANUARY 6. IT NOTED THAT THE SUBGROUP HAD AGREED TO PROCEED IMMEDIATELY WITH THE ELABORATION OF SPECIFIC PROJECTS IN NINE OF THE TEN PRIORITY ARRANGEMENTS PREVIOUSLY IDENTIFIED. LEAD COUNTRIES WERE DESIGNATED FOR EACH OF THE PROJECTS AND MEETINGS OF EXPERTS WILL TAKE PLACE BEFORE MID-FEBRUARY TO PREPARE DETAILED PROPOSALS IN EACH FIELD. THE SUBGROUP WILL MEET ON FEBRUARY 20 TO REVIEW THE REPORTS OF THE EXPERTS AND TO PROCEED TO DECIDE ON FOLLOW-UP ACTIONS.



THE SLT NOTED THAT, ALTHOUGH IT IS CLEARLY ESSENTIAL TO PROCEED WITH ACTUAL PROJECTS ONLY ON THE BASIS OF ADEQUATE TECHNICAL PREPARATION, THERE IS A POLITICAL REQUIREMENT TO DEMONSTRATE EARLY PROGRESS IN R & D COOPERATION.

THEREFORE, AFTER FURTHER CONSULTATION BETWEEN THE CHAIRMAN OF THE SLT AND THE CHAIRMAN OF THE R & D SUBGROUP, IT WAS AGREED TO RECOMMEND TO THE GOVERNING BOARD THAT AT LEAST TWO PROJECTS BE IDENTIFIED FOR ACCELERATED JOINT IMPLEMENTATION. IT WAS ALSO AGREED THAT THE GOVERNING BOARD SHOULD DISCUSS THE DESIRABILITY OF A FIRM POLITICAL COMMITMENT TO MOVE FORWARD RAPIDLY IN ALL AREAS OF R & D COOPERATION.

V. ENRICHED URANIUM SUPPLY: THE SLT REVIEWED THE REPORT OF THE SUBGROUP ON ENRICHED URANIUM SUPPLY IN ITS FIRST MEETING ON JANUARY 7. THE SUBGROUP HAD AGREED TO MOVE CONFIDENTIAL

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FORWARD ON THE COMPILATION OF SUPPLY AND DEMAND DATA AS ASSIGNED UNDER ITS TERMS OF REFERENCE. THE CHAIRMAN OF THE SUBGROUP ASKED THAT DELEGATIONS IMPRESS ON THE RESPONSIBLE AGENCIES IN THEIR GOVERNMENTS THE NEED FOR PROMPT COMPLIANCE WITH THE REPORTING DEADLINES.

AT THE SUGGESTION OF THE BELGIAN DELEGATION, THE SLT AGREED TO MODIFY THE TERMS OF REFERENCE FOR THE SUBGROUP TO INDICATE THAT THE IDENTIFICATION WITHIN THE IEA OF POTENTIAL COMMERCIAL ARRANGEMENTS WOULD INCLUDE THOSE WHICH MIGHT BE UNDERTAKEN AMONG VARIOUS MEMBER COUNTRIES AND OTHER COUNTRIES. KISSINGER

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